

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF BANCROFT	County SHIAWASSEE
Fiscal Year End 02/28/07	Opinion Date 07/27/07	Date Audit Report Submitted to State 8/30/07	

We affirm that:

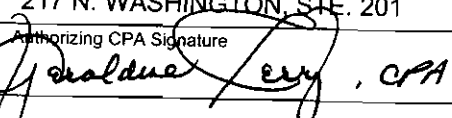
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS & WENZLICK P.C.		Telephone Number 989-723-8227	
Street Address 217 N. WASHINGTON, STE. 201		City OWOSSO	State MI
Authorizing CPA Signature 		Printed Name GERALDINE TERRY	Zip 48867
		License Number 1101026880	

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
FEBRUARY 28, 2007

ELECTED OFFICIALS

Tanya Buckelew	President
Shana Post	Clerk
Lisa Fall	Treasurer
Bill Johnson	Trustee
Betsie Whitt	Trustee
Kevin Buckler	Trustee
Flora Nichols	Trustee
Fred Simpson	Trustee
Lon Woodbury	Trustee

VILLAGE OF BANCROFT  
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FEBRUARY 28, 2007

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Tammy Pappas  
David Pullen  
Vicki E. Schuler  
Joyce M. Simmons  
Barbara Wenzlick

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Village of Bancroft  
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bancroft as of and for the year then ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section and the other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Domin and Delongest, PC*

Certified Public Accountants

July 27, 2007

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

## VILLAGE OF BANCROFT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Village of Bancroft's (the Village's) financial performance and position, providing an overview of the activities for the year ended February 28, 2007. This analysis should be read in conjunction with the Independent Auditors' Report and with the Village's financial statements, which follow this section. The fiscal year ended February 28, 2007, represents the first year the Village has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments – Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. Therefore, this discussion and analysis does not provide comparisons with previous years.

### FINANCIAL RESULTS

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2007.

1. State Shared Revenue, one of our largest revenue sources in the General Fund decreased approximately \$569.
2. Property taxes and administrative fees increased approximately \$3,736.
3. State shared revenues for the Major and Local Street Funds; Act 51 money, decreased \$307 and \$101, respectively.
4. The fund balance of the Village's General Fund increased \$736 to \$172,751.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Bancroft as a whole and represent a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of provided governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Village of Bancroft in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF BANCROFT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

VILLAGE AS A WHOLE

The following table shows, in a condensed format, the net assets of the Village as of February 28, 2007:

Current Assets	\$ 542,849
Capital Assets	<u>1,264,939</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,807,788</u></b>
Current Liabilities	\$ 25,697
Non-Current Liabilities/Long-Term Liabilities	<u>1,100,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$1,125,697</u></b>
<b>NET ASSETS</b>	<b><u>\$ 682,091</u></b>

The following table shows the change in net assets for the year ended February 28, 2007:

Program Revenues:	
Charges for Services	\$ 165,215
General Revenues:	
State Shared Revenues	128,785
Property Tax/Special Assessments	94,032
Interest Income	18,219
Franchise Fees	4,327
Other General Revenues	<u>457</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 411,035</u></b>
Program Expenses:	
General Government	\$ 255,912
Equipment Rental	37,239
Water	<u>136,239</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 429,390</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ (18,355)</u></b>



## VILLAGE OF BANCROFT MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENTAL ACTIVITIES

The Village's governmental revenues total \$411,035 with the greatest revenue sources being state shared revenues and water service fees, making up approximately 72 percent of total revenues.

The Village incurred expenses of \$429,390 during the year. The majority of the expenses are associated with the general government and equipment rental functions, as well as the expenses of the Water Fund.

### THE VILLAGE'S FUNDS

The analysis of the Village's governmental funds begins on Page 10 following the government-wide financial statements. The fund financial statements provide detailed information about all the general government funds. The analysis of the Water Enterprise Funds is presented separately. Village of Bancroft's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages and special assessments.

The General Fund pays for the majority of the Village's governmental services. The Water Improvement Fund pay for the building expense of the Water Tower and the Arsenic Treatment Plant. The fund paid \$41,032 toward the principal and interest on the Water Improvement Bonds. The Mayor and Local Street Funds paid a total of \$63,579 for maintenance and upkeep of roads and other public works.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year, the Village Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected decrease in state shared revenue. Overall, the General Fund was over-budget by \$496.

### CAPITAL ASSETS

At the end of the fiscal year, the Village had approximately \$114,388 (valued at historical cost) in assets which includes furniture, office equipment and software. Accumulated depreciation recorded for the general Village assets was \$838,899. The Equipment Fund had approximately \$244,861 (valued at historical cost) in assets with accumulated depreciation of \$140,621. The Water Operations Fund had approximately \$191,485 (valued at historical cost) in assets with \$116,046 of accumulated depreciation. The Water Improvement Fund had approximately \$1,048,134 (valued at historical cost) in assets which includes the Water Tower and equipment. Accumulated depreciation on the Water Improvement Fund assets was \$420,963. The Water Improvement Fund also includes \$27,600 of construction in progress for the New Arsenic Treatment Plant.

VILLAGE OF BANCROFT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT ECONOMIC FACTORS

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional information, we encourage you to contact a Village Official at the Village Hall at (989)634-5375.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 255,426	\$ 240,979	\$ 496,404
Receivables (Within One Year)	15,664	22,150	37,815
Prepaid Expenses	6,399	2,231	8,630
Capital Assets Not Being Depreciated		27,600	27,600
Capital Assets Being Depreciated, Net	<u>30,489</u>	<u>1,206,850</u>	<u>1,237,339</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>307,978</u></b>	<b>\$ <u>1,499,810</u></b>	<b>\$ <u>1,807,788</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,534	\$ 247	\$ 7,781
Accrued Liabilities		17,916	17,916
Notes Payable – Due Within One Year		16,500	
Noncurrent Liabilities: Due Beyond One year		<u>1,083,500</u>	<u>1,100,000</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>7,534</u></b>	<b>\$ <u>1,118,163</u></b>	<b>\$ <u>1,125,697</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets (Net of Related Debt)	\$ 30,489	\$ 134,450	\$ 164,939
Restricted for: Bond Reserves		39,310	39,310
Unrestricted	<u>269,955</u>	<u>207,887</u>	<u>477,842</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>300,444</u></b>	<b>\$ <u>381,647</u></b>	<b>\$ <u>682,091</u></b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Net (Expense) Revenue</u>
FUNCTIONS/PROGRAMS			
Primary Government:			
General Government	\$ (244,557)	\$ 5,662	\$(238,895)
TOTAL GOVERNMENTAL ACTIVITIES	\$(244,557)	\$ 5,662	\$(238,895)
BUSINESS-TYPE ACTIVITIES			
Equipment Rental	\$ (37,239)	\$ 30,151	\$ (7,088)
Water	(117,594)	106,431	(11,163)
TOTAL BUSINESS-TYPE ACTIVITIES	\$(154,833)	\$136,582	\$ (18,251)
TOTAL PRIMARY GOVERNMENT	\$(399,390)	\$142,244	\$ 257,146

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES (CONCLUDED)  
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets			
Net (Expense) Revenue	<u>\$(238,895)</u>	<u>\$(18,251)</u>	<u>\$(257,146)</u>
GENERAL REVENUES:			
Property Taxes/Special Assessments	\$ 94,032	\$	\$ 94,032
State Shared Revenue	121,756		121,756
Franchise Fees	4,327		4,327
Other Miscellaneous Income	457		457
Unrestricted Investment Earnings	<u>8,818</u>	<u>9,401</u>	<u>18,219</u>
TOTAL GENERAL REVENUES	<u>\$ 229,390</u>	<u>\$ 9,401</u>	<u>\$ 238,791</u>
Change in Net Assets	\$ (9,505)	\$ (8,850)	\$ (18,355)
Net Assets, Beginning of Year	<u>309,950</u>	<u>390,497</u>	<u>700,447</u>
NET ASSETS, END OF YEAR	<u>\$ 300,445</u>	<u>\$ 381,647</u>	<u>\$ 682,092</u>

The accompanying notes are an integral part of these financial statements.

## BASIC FINANCIAL STATEMENTS

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2007

	<u>General</u>	<u>Major Highway</u>	<u>Local Highway</u>	<u>Total Gov't Funds</u>
ASSETS:				
Cash & Cash Equivalents	\$160,882	\$ 69,249	\$ 25,295	\$255,426
Prepaid Expenses	6,399			6,399
Due from Other Funds	1,933		2,718	4,651
Accounts Receivable	<u>11,013</u>			<u>11,013</u>
TOTAL ASSETS	<u>\$180,227</u>	<u>\$ 69,249</u>	<u>\$ 28,013</u>	<u>\$277,489</u>
LIABILITIES:				
Accounts Payable	\$ 1,257	\$	\$	\$ 1,257
Due to Other Funds	<u>6,219</u>	<u>58</u>		<u>6,277</u>
TOTAL LIABILITIES	<u>\$ 7,476</u>	<u>\$ 58</u>		<u>\$ 7,534</u>
FUND BALANCES:				
Unrestricted	<u>\$172,751</u>	<u>\$ 69,191</u>	<u>\$ 28,013</u>	<u>\$269,955</u>
TOTAL FUND BALANCES	<u>\$172,751</u>	<u>\$ 69,191</u>	<u>\$ 28,013</u>	<u>\$269,955</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$180,227</u>	<u>\$ 69,249</u>	<u>\$ 28,013</u>	<u>\$277,489</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BANCROFT  
 SHIAWASSEE COUNTY, MICHIGAN  
 RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
 FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
 GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
 FEBRUARY 28, 2007

Fund Balances – Total Governmental Funds	\$269,955
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets used in governmental activities are not financial Resources and therefore are not reported in the funds.	
Add: Capital Assets	114,388
Deduct: Accumulated Depreciation	<u>(83,899)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$300,444</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>General Fund</u>	<u>Major Highway Fund</u>	<u>Local Highway Fund</u>	<u>Gov't Funds</u>
<b>REVENUES:</b>				
Property Taxes & Special Assessments	\$ 93,090	\$	\$	\$ 93,090
Administrative Fees	942			942
Charges for Services	5,662			5,662
Intergovernmental-State	66,583	41,829	13,344	121,756
Interest	5,502	1,929	1,387	8,818
Miscellaneous Other Rev.	<u>4,327</u>	<u>457</u>		<u>4,784</u>
<b>TOTAL REVENUES</b>	<b>\$176,106</b>	<b>\$ 44,215</b>	<b>\$ 14,731</b>	<b>\$235,052</b>
<b>EXPENDITURES:</b>				
General Government	\$ 68,052	\$	\$	\$ 68,052
Public Safety	40,309			40,309
Public Works	<u>68,481</u>	<u>36,020</u>	<u>27,559</u>	<u>132,060</u>
<b>TOTAL EXPENDITURES</b>	<b>\$176,842</b>	<b>\$ 36,020</b>	<b>\$ 27,559</b>	<b>\$240,421</b>
<b>REVENUES OVER (UNDER) EXPEND.</b>	<b>\$ (736)</b>	<b>\$ 8,195</b>	<b>\$ (12,828)</b>	<b>\$ (5,369)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	\$	\$	\$ 11,355	\$ 11,355
Transfers Out	<u>      </u>	<u>(11,355)</u>	<u>      </u>	<u>(11,355)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ <u>      </u></b>	<b>\$ <u>(11,355)</u></b>	<b>\$ <u>11,355</u></b>	<b>\$ <u>      </u></b>
<b>Net Changes in Fund Bal.</b>	<b>\$ (736)</b>	<b>\$ (3,160)</b>	<b>\$ (1,473)</b>	<b>\$ (5,369)</b>
<b>Fund Balances</b>				
March 1, 2006	<u>173,487</u>	<u>72,351</u>	<u>29,486</u>	<u>275,324</u>
<b>FUND BALANCES FEBRUARY 28, 2007</b>	<b><u>\$172,751</u></b>	<b><u>\$ 69,191</u></b>	<b><u>\$ 28,013</u></b>	<b><u>\$269,955</u></b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2007

Net Change in Fund Balances – Total Governmental Funds	\$(5,369)
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Amounts Reported for Governmental Activities in the Statement  
of Activities are Different Because:

Governmental Funds report capital outlays as expenditures. However,  
In the statement of activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Deduct: Depreciation Expense	<u>(4,136)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$(9,505)</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FEBRUARY 28, 2007

	<u>Equipment</u>	<u>Water Operations</u>	<u>Water Improvement</u>	<u>Total</u>
<b>ASSETS:</b>				
Current Assets:				
Cash & Investments	\$ 61,824	\$ 117,520	\$ 61,635	\$ 240,979
Receivables:				
Water Service		18,816		18,816
Due from other Funds	646	2,688		3,334
Prepaid Expenses	<u>1,385</u>	<u>846</u>		<u>2,231</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 63,855</b>	<b>\$ 139,870</b>	<b>\$ 61,635</b>	<b>\$ 265,360</b>
<b>CAPITAL ASSETS:</b>				
Fixed Assets	\$ 244,861	\$ 191,485	\$1,048,134	\$1,484,480
Construction in Progress			27,600	27,600
Less: Accum Deprec.	<u>(140,621)</u>	<u>(116,046)</u>	<u>(20,963)</u>	<u>(277,630)</u>
<b>NET CAPITAL ASSETS</b>	<b>\$ <u>104,240</u></b>	<b>\$ <u>75,439</u></b>	<b>\$ <u>1,054,771</u></b>	<b>\$ <u>1,234,450</u></b>
<b>TOTAL ASSETS</b>	<b>\$ <u>168,095</u></b>	<b>\$ <u>215,309</u></b>	<b>\$ <u>1,116,406</u></b>	<b>\$ <u>1,499,810</u></b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Current Portion of Long-Term Debt	\$	\$	\$ 16,500	\$ 16,500
Due to Other Funds		247		247
Accrued Interest Payable			<u>17,916</u>	<u>17,916</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$</b>	<b>\$ 247</b>	<b>\$ 34,416</b>	<b>\$ 34,663</b>
<b>OTHER NON-CURRENT LIABILITIES:</b>				
Long-Term Debt	\$	\$	\$1,100,000	\$1,100,000
Less: Current Portion			<u>(16,500)</u>	<u>(16,500)</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$</b>	<b>\$</b>	<b>\$1,083,500</b>	<b>\$1,083,500</b>
<b>NET ASSETS:</b>				
Investment in Capital Assets	\$ 104,240	\$ 75,439	\$ (45,229)	\$ 134,450
Unrestricted	<u>63,855</u>	<u>139,623</u>	<u>43,719</u>	<u>247,197</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>168,095</u></b>	<b>\$ <u>215,309</u></b>	<b>\$ <u>(1,510)</u></b>	<b>\$ <u>381,647</u></b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>Equipment</u>	<u>Water Operations</u>	<u>Water Improvement</u>	<u>Total</u>
OPERATING REVENUES:				
Water Usage Fees	\$	\$100,690	\$	\$100,690
Shut Off Fees & Penalties		1,241		1,241
Equipment Rental	<u>30,151</u>	<u>4,500</u>	<u>      </u>	<u>34,651</u>
TOTAL OPERATING REVENUES	\$ 30,151	\$106,431	\$	\$136,582
OPERATING EXPENSES:				
Audit Expense	\$ 780	\$ 780	\$	\$ 1,560
Salaries	3,192	13,356		16,548
Operating Expenses	1,482	10,594	253	12,329
Repairs & Maintenance	4,107	4,254		8,361
Depreciation	16,128	9,091	20,963	46,182
Employee Benefits	9,436	9,436		18,872
Insurance	2,114	919		3,033
Interest	<u>      </u>	<u>30,032</u>	<u>17,916</u>	<u>47,948</u>
TOTAL OPERATING EXPENSES	\$ <u>37,239</u>	\$ <u>78,462</u>	\$ <u>39,132</u>	\$ <u>154,833</u>
OPERATING INCOME (LOSS)	\$ (7,088)	\$ 27,969	\$ 39,132	\$ (18,251)
NON-OPERATING REVENUES EXPENSES:				
Transf. to Other Funds	\$	\$ (18,645)	\$	\$ (18,645)
Transf. from Other Funds			18,645	18,645
Int.. on Investments	<u>3,231</u>	<u>4,339</u>	<u>1,830</u>	<u>9,401</u>
TOTAL NON-OPERATING REVENUES EXPENSES	\$ <u>3,231</u>	\$ <u>(14,305)</u>	\$ <u>20,475</u>	\$ <u>9,401</u>
Change in Net Assets	\$ (3,857)	\$ 13,663	\$(18,657)	\$ (8,850)
Net Assets, Beginning of Year	<u>171,952</u>	<u>201,399</u>	<u>17,147</u>	<u>390,497</u>
NET ASSETS, END OF YEAR	<u>\$168,095</u>	<u>\$215,062</u>	<u>\$ (1,510)</u>	<u>\$381,647</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2007

OPERATING INCOME:	
Net Income (Loss)	\$ (8,850)
Depreciation	46,182
(Increase) Decrease in Receivables	(6,232)
Increase (Decrease) in Liabilities	308
Rounding	<u>(2)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 31,406
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Fixed Assets	\$(110,451)
NET CASH (USED BY) INVESTING ACTIVITIES	\$(110,451)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Issues, Bonds Payable	\$ 90,000
(Payment on) Bonds Payable	<u>(11,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ <u>79,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (45)
Cash and Cash Equivalents, Beginning of Year	<u>241,023</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>240,978</u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS	
	\$ <u>240,978</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ <u>240,978</u>

DISCLOSURE OF ACCOUNTING POLICY:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Bancroft conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

**A - REPORTING ENTITY**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibility. Based upon the application of these criteria, there are no component units that need to be included in the Village's annual report.

**B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

**GENERAL FUND** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.



VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

MAJOR STREET FUND – The Major Street Fund is used to receive all Major Street monies paid to the Village by the State for construction, maintenance and other operations to all streets classified as Major Streets.

LOCAL STREET FUND – The Local Street Fund is used to receive all Local Street monies paid to the Village by the State for construction, maintenance, and other authorized operations to all streets classified as Local Streets.

The Village reports the following major proprietary funds:

WATER OPERATIONS FUND – The Water Operations Fund is used to account for water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations and maintenance.

EQUIPMENT FUND – The Equipment Fund is used to account for intergovernmental charges for operating expenses of equipment of the Police Department and the Department of Public Works.

WATER IMPROVEMENT FUND – The Water Improvement Fund is used to account for the assets, liabilities and related debt service for the building of the Water Tower, Water Treatment System and the Arsenic Treatment Plant.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water fund and equipment fund and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D - ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Certificates of Deposit with a maturity date of three months or less are considered short-term investments.

RECEIVABLES AND PAYABLES - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied on June 30, on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on November 1, at which time penalties and interest are assessed.

INVENTORIES AND PREPAID ITEMS – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

COMPENSATED ABSENCES (VACATION AND SICK LEAVE) - The Village does not have a policy for paid vacation or sick leave. There are no expenditures recorded for sick leave or vacation pay.

LONG-TERM OBLIGATIONS – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

FUND EQUITY – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Annual appropriated budgets are adopted for General, Special Revenue, Capital Projects Funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. (Alternative: Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.)

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

INVESTMENT AND DEPOSIT RISK:

INTEREST RATE RISK – State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CREDIT RISK – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. In compliance with State law, the Village's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not have specific limits in excess of State law on investment credit risk.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT AND DEPOSIT RISK (CONTINUED):

CUSTODIAL CREDIT RISK – DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end \$366,095 of the Village's bank deposits of \$496,405 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CUSTODIAL CREDIT RISK – INVESTMENTS - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. There were no investments held by the Village at year end.

CONCENTRATION OF CREDIT RISK – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. There were no investments that exceeded 5% of the Village's total investments at year end.

At year end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Deposits</u>	<u>FDIC Insured</u>	<u>Uninsured/ Uncollateralized</u>
Government-Wide Financial Statements:			
Checking	<u>\$255,426</u>	<u>\$100,000</u>	<u>\$155,426</u>
CASH & INVESTMENTS	<u>\$255,426</u>	<u>\$100,000</u>	<u>\$155,426</u>
Fiduciary Fund Financial Statements:			
Checking	<u>\$210,669</u>	<u>\$</u>	<u>\$210,669</u>
Savings	<u>30,310</u>	<u>100,000</u>	<u>          </u>
	<u>\$240,979</u>	<u>\$100,000</u>	<u>\$210,669</u>

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets being Depreciated:				
Building Improvements	\$ 24,570	\$	\$	\$ 24,570
General Fixed Assets	<u>98,577</u>	<u>1,500</u>	<u>(10,258)</u>	<u>89,819</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$123,147	\$ 1,500	\$ (10,258)	\$114,389
Less Accumulated Depreciation for:				
Building Improvements	\$ (1,584)	\$ (630)	\$	\$ (2,214)
General Fixed Assets	<u>(87,871)</u>	<u>(3,506)</u>	<u>10,258</u>	<u>(81,119)</u>
TOTAL ACCUMULATED DEPRECIATION	\$ <u>(89,455)</u>	\$ <u>(4,136)</u>	\$ <u>10,258</u>	\$ <u>(83,333)</u>
Total Capital Assets Being Depreciated, Net	\$ <u>33,692</u>	\$ <u>(2,636)</u>	\$ _____	\$ <u>31,056</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ <u>33,692</u>	\$ <u>(2,636)</u>	\$ _____	\$ <u>31,056</u>

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets not being Depreciated:				
Construction in Progress	\$ <u>1,000,227</u>	\$ <u>75,507</u>	\$( <u>1,048,134</u> )	\$ <u>27,600</u>
Capital Assets being Depreciated:				
Public Infrastructure-Waste	\$	\$1,048,134	\$	\$1,048,134
Water Operations Equip.	190,385	1,100		191,485
Public Works Equipment	<u>211,017</u>	<u>33,844</u>	<u>          </u>	<u>244,861</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>\$ 401,402</b>	<b>\$1,083,078</b>	<b>\$</b>	<b>\$1,484,480</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Public Infrastructure	\$	\$ (20,963)	\$	\$ (20,963)
Water Operations Equipment	(106,956)	(9,091)		(116,047)
Public Works Equipment	<u>(124,493)</u>	<u>(16,128)</u>	<u>          </u>	<u>(140,621)</u>
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>\$ <u>(231,449)</u></b>	<b>\$ <u>(46,182)</u></b>	<b>\$ <u>          </u></b>	<b>\$ <u>(277,631)</u></b>
Total Capital Assets being Depreciated, Net	\$ <u>169,953</u>	\$ <u>1,036,896</u>	\$ <u>          </u>	\$ <u>1,206,849</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ <u>1,170,180</u></b>	<b>\$ <u>1,112,403</u></b>	<b>\$(<u>1,048,134</u>)</b>	<b>\$ <u>1,234,449</u></b>

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at February 28, 2007, is as follows:

	<u>Due from Receivable</u>	<u>Due to Payable</u>
General	\$ 1,463	\$ 6,219
Major Highway	646	704
Local Highway	2,239	512
Equipment	646	
Water Operations	<u>2,688</u>	<u>247</u>
	<u>\$ 7,682</u>	<u>\$ 7,682</u>

NOTE 6 – WATER FUND OBLIGATIONS

On December 5, 2000, the Village of Bancroft financed bonds payable for \$600,000 for the construction of its Water System. These bonds mature on November 1, of each year and are payable with interest at 4.75% per annum.

On October 15, 2004, the Village financed additional bonds for \$500,000, also to be used for water system construction. These bonds mature on October 1, of each year and are payable with interest at 4.375% per annum.

On January 25, 2007, the Village financed additional bonds for \$390,000, Series A and \$26,000, Series B, for the construction of the Arsenic Treatment Plant. These bonds mature on October 1, of each year and are payable with interest at 4.125% per annum. As of February 28, 2007, only \$43,000 of the approved \$416,000 had been received.



VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 6 – WATER FUND OBLIGATIONS (CONTINUED)

The maturities on the bonds are as follows:

<u>Year Ended</u>	<u>Principal Amount Due</u>
2007	\$ 16,500
2008	16,500
2009	17,500
2010	18,500
2011	19,500
2012-2016	110,500
2017-2021	137,500
2022-2026	173,500
2027-2031	214,500
2032-2036	269,500
2037-2041	303,500
2042-0246	<u>175,500</u>
	<u>\$1,384,500</u>

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the line item level.

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)

During the year ended February 28, 2007, the Village did incur expenditures in excess of the amounts appropriated, as follows:

	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund:			
Village Telephone	\$ 1,977	\$ 2,024	\$ 47
Village Publishing/Printing	18	24	6
Village Supplies	(28)	122	150
Village Miscellaneous		8	8
Police Salary	26,279	27,483	1,204
Police Supplies	205	280	75
Police Transportation	5,152	5,862	710
Police Insurance	4,576	5,123	547
Hall Supplies	1,688	1,855	167
Parks/Recreation Salaries	1,704	1,906	202
Parks/Recreation Supplies		1,178	1,178
Parks/Recreation Activities	250	386	136
Zoning Supplies		1,358	1,358
Village Property Salaries	16,373	18,679	2,306
Village Property Supplies	2,633	2,729	96
Village Property Utilities & Telephone	10,973	12,012	1,039
Village Property Maintenance & Repair	7,851	11,104	3,253
Rubbish Collection	27,324	27,329	5
Worker's Compensation Insurance	3,198	3,440	242
Legal and Accounting	1,711	1,797	86
Major Street Fund:			
Salaries	9,219	10,369	1,150
Repairs	2,000	3,325	1,325
Equipment Rental	10,400	10,514	114
Supplies	900	1,462	562
Disability Insurance	282	485	203
Legal and Accounting	360	780	420
Local Street Fund:			
Disability Insurance	282	485	203
Equipment Fund:			
Disability Insurance	282	485	203
Water Fund:			
Interest Expense	47,075	47,948	873
Miscellaneous	120	373	253
Disability Insurance	282	485	203

VILLAGE OF BANCROFT  
SHIAWASSEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE 8 – COMPENSATED ABSENCES

No liability is accrued at February 28, 2007 as it is less than one year's liability.

NOTE 9 – PENSION PLANS

Beginning March 1, 2006, pension benefits are provided for all full time employees. Twenty years of prior services benefits were purchased for a Department of Public Works employee that retired. The catch up contribution was purchased from Municipal Employees Retirement System (MERS) for a cost of \$39,710 to the Village. Current benefits costs of \$3,675 were incurred by the Village.

NOTE 10 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries and illnesses of employees; and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has no claims that exceeded coverage during the past three years.

## REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BANCROFT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES:				
Current Property Taxes	\$ 90,140	\$ 90,140	\$ 93,090	\$ (2,950)
Tax Admin. Fee	924	924	942	(18)
State Shared Revenues	67,000	67,000	66,583	417
Franchise Fees	4,000	4,000	4,326	(326)
Licenses & Permits	400	400	1,527	(1,127)
Fines	1,100	1,100	1,056	44
Interest & Dividends	2,000	2,000	5,502	(3,502)
Hall Rental	1,500	1,500	1,750	(250)
Miscellaneous			<u>1,329</u>	<u>(1,329)</u>
TOTAL REVENUES	\$167,064	\$167,064	\$176,105	\$ (9,041)
EXPENDITURES:				
Village Council:				
Salaries	\$ <u>1,440</u>	\$ <u>1,440</u>	\$ <u>1,380</u>	\$ <u>60</u>
TOTAL VILLAGE COUNCIL	\$ 1,440	\$ 1,440	\$ 1,380	\$ 60
Clerk:				
Miscellaneous	\$ <u>1,440</u>	\$ <u>1,400</u>	\$ <u>1,400</u>	\$ _____
TOTAL CLERK	\$ 1,440	\$ 1400	\$ 1,400	\$ _____
Treasurer:				
Salaries	\$ 1,660	\$ 2,450	\$ 2,450	\$ _____
Miscellaneous	<u>470</u>	<u>448</u>	<u>443</u>	<u>5</u>
TOTAL TREASURER	\$ 2,130	\$ 2,898	\$ 2,893	\$ 5
Village Office:				
Supplies	\$ 1,150	\$ 1,688	\$ 1,855	\$ (167)
Telephone/Internet	1,600	1,977	2,024	(47)
Publishing/Printing	200	18	24	(6)
Maintenance	150	275	275	
Miscellaneous	<u>150</u>	<u>_____</u>	<u>8</u>	<u>(8)</u>
TOTAL VILLAGE OFFICE	\$ 3,250	\$ 3,958	\$ 4,186	\$ (228)
Village President:				
Salaries	\$ <u>1,500</u>	\$ <u>1,520</u>	\$ <u>1,375</u>	\$ <u>145</u>
TOTAL VILLAGE PRES.	\$ 1,500	\$ 1,520	\$ 1,375	\$ 145

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES:				
Halls:				
Salaries	\$ 240	\$ 240	\$ 240	\$
Supplies & Deposits	250	(28)	122	(150)
Utilities & Telephone	2,500	3,060	3,019	41
Repairs & Maintenance	1,000	180	180	
Insurance Premium	<u>450</u>	<u>440</u>	<u>414</u>	<u>26</u>
TOTAL HALLS	\$ 4,440	\$ 3,892	\$ 3,975	\$ (83)
Police:				
Salary	\$ 25,000	\$ 26,279	\$ 27,483	\$ (1,204)
Training & Uniform	250			
Operating Supplies & Misc.	400	205	280	(75)
Communications	700	600	549	51
Transportation	4,802	5,152	5,862	(710)
Membership Fees	1,500	1,140	1,012	128
Insurance Premium	<u>5,300</u>	<u>4,576</u>	<u>5,123</u>	<u>(547)</u>
TOTAL POLICE	\$ 37,952	\$ 37,952	\$ 40,309	\$ (2,357)
Parks/Recreation Dept:				
Salaries	\$ 1,500	\$ 1,704	\$ 1,906	\$ (202)
Supplies	200		1,178	(1,178)
Utilities	240	240	238	2
Activities	250	250	386	(136)
Insurance Premium	<u>115</u>	<u>111</u>	<u>64</u>	<u>47</u>
TOTAL PARKS & REC.	\$ 2,305	\$ 2,305	\$ 3,772	\$ (1,467)
Zoning:				
Supplies	\$ _____	\$ _____	\$ <u>1,358</u>	\$ (1,358)
TOTAL ZONING	\$	\$	\$ 1,358	\$ (1,358)
Village Properties:				
Salaries	\$ 13,450	\$ 16,373	\$ 18,679	\$ (2,306)
Services	1,000	2,295	2,295	
Supplies	2,500	2,633	2,729	(96)
Utilities & Telephone	10,200	10,973	12,012	(1,039)
Maintenance & Repair	3,650	7,851	11,104	(3,253)
Equipment Rental	11,000	9,200	9,124	76
Water Support	4,500	4,500	4,500	
Insurance Premium	<u>5,000</u>	<u>5,842</u>	<u>5,265</u>	<u>577</u>
TOTAL VILLAGE PROP.	\$51,300	\$ 59,667	\$ 65,708	\$ (6,041)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE (CONCLUDED)  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Administrative:				
Rubbish Collection	\$ 27,324	\$ 27,324	\$ 27,329	\$ (5)
Worker's Comp. Ins.	2,500	3,198	3,440	(242)
Insurance	700	586	586	
Payroll Taxes	9,000	9,000	6,945	2,055
Disability Insurance	240	245	245	
Health Insurance	849	135	135	
Legal & Accounting	2,100	1,711	1,797	(86)
Misc. & Contingencies	9,624	753	753	
Retirement	8,742	8,742	8,677	65
Water Service	468	578	578	
TOTAL GENERAL ADM.	\$ <u>61,547</u>	\$ <u>52,272</u>	\$ <u>50,485</u>	\$ <u>1,787</u>
TOTAL EXPENSES	\$ <u>167,304</u>	\$ <u>167,304</u>	\$ <u>176,841</u>	\$ <u>(9,537)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$ 240	\$ 240	\$ (736)	\$ (496)
OTHER FINANCING SOURCES:				
Transfers In	\$ _____	\$ _____	\$ _____	\$ _____
Transfers Out	_____	_____	_____	_____
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING SOURCES	\$ <u>240</u>	\$ <u>240</u>	\$ (736)	\$ <u>(496)</u>
Fund Balance March 1, 2006			<u>173,487</u>	
FUND BALANCE FEBRUARY 28, 2007			<u>\$172,751</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
MAJOR STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Shared Revenue	\$ 40,000	\$ 40,000	\$ 41,829	\$ (1,829)
Interest Income	1,000	1,000	1,929	(929)
Misc. Income			<u>457</u>	<u>(457)</u>
TOTAL REVENUES	\$ 41,000	\$ 41,000	\$ 44,215	\$ 3,215
EXPENDITURES:				
Salaries	\$ 8,442	\$ 9,219	\$ 10,369	\$ (1,150)
Miscellaneous	150	150	134	16
Repairs	2,000	2,000	3,325	(1,325)
Equipment Rental	11,000	10,400	10,514	(114)
Supplies	900	900	1,462	(562)
Retirement	8,742	8,742	8,677	65
Disability Insurance	240	282	485	(203)
Health Insurance	849	274	274	
Legal & Accounting	<u>360</u>	<u>360</u>	<u>780</u>	<u>(420)</u>
TOTAL EXPENDITURES	\$ <u>32,683</u>	\$ <u>32,327</u>	\$ <u>36,020</u>	\$ <u>(3,693)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 8,317	\$ 8,673	\$ 8,195	\$ (478)
OTHER FINANCING USES:				
Transfers Out	<u>(11,000)</u>	<u>(11,355)</u>	<u>(11,355)</u>	<u>      </u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ <u>(2,683)</u>	\$ <u>(2,682)</u>	\$ (3,160)	\$ <u>(478)</u>
Fund Balance March 1, 2006			<u>72,351</u>	
FUND BALANCE FEBRUARY 28, 2007			\$ <u>69,191</u>	

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BANCROFT  
LOCAL STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Shared Revenue	\$ 13,000	\$ 13,000	\$ 13,344	\$ (344)
Interest Earned	<u>500</u>	<u>500</u>	<u>1,387</u>	<u>(887)</u>
TOTAL REVENUES	\$ 13,500	\$ 13,500	\$ 14,731	\$ 1,231
EXPENDITURES:				
Salaries	\$ 7,440	\$ 8,640	\$ 7,128	\$ 1,512
Miscellaneous			(457)	457
Supplies	150	62	62	
Repairs	2,200	2,200	1,487	713
Equipment Rentals	10,500	9,500	9,123	377
Retirement	8,742	8,742	8,677	65
Disability Insurance	240	282	485	(203)
Health Insurance	849	274	274	
Legal & Accounting	<u>360</u>	<u>780</u>	<u>780</u>	
TOTAL EXPENDITURES	\$ <u>30,481</u>	\$ <u>30,480</u>	\$ <u>27,559</u>	\$ <u>2,921</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(16,981)	\$(16,980)	\$ (12,828)	\$(4,152)
OTHER FINANCING SOURCES:				
Transfers In	\$ 11,000	\$ 11,000	\$ 11,355	\$ 355
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ <u>(5,981)</u>	\$ <u>(5,980)</u>	\$ (1,473)	\$ <u>4,508</u>
Fund Balance March 1, 2006			<u>29,486</u>	
FUND BALANCE FEBRUARY 28, 2007			<u>\$ 28,013</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
EQUIPMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OPERATING REVENUES:				
Equipment Rentals	\$ 35,000	\$ 35,000	\$ 30,151	\$ 4,849
Interest Income	<u>2,200</u>	<u>2,200</u>	<u>3,231</u>	<u>(1,031)</u>
TOTAL REVENUES	\$ 37,200	\$ 37,200	\$ 33,382	\$ 3,818
OPERATING EXPENSES:				
Salaries	\$ 3,400	\$ 3,400	\$ 3,192	\$ 208
Gas & Oil	4,700	4,700	3,404	1,296
Operating Supplies	2,000	2,523	1,482	1,041
Depreciation			16,128	(16,128)
Repairs & Maintenance	2,500	2,500	703	1,797
Equipment	29,000	32,455		32,455
Audit	270	780	780	
Insurance	2,000	2,495	2,114	381
Retirement	8,742	8,742	8,677	65
Disability Insurance	240	282	485	(203)
Health Insurance	<u>849</u>	<u>274</u>	<u>274</u>	
TOTAL EXPENSES	\$ <u>53,701</u>	\$ <u>58,151</u>	\$ <u>37,239</u>	\$ <u>20,912</u>
NET INCOME (LOSS)	\$(16,501)	\$ (20,951)	\$ (3,857)	\$(17,094)
OTHER FINANCING SOURCES:				
Transfers In	\$ _____	\$ _____	\$ _____	\$ _____
EXCESS OF REVENUES & OTHER FINANCING SOURCES OVER EXPENSES				
	<u>\$(16,501)</u>	<u>\$ (20,951)</u>	<u>\$ (3,857)</u>	<u>\$(17,094)</u>
Retained Earnings March 1, 10026			<u>171,952</u>	
RETAINED EARNINGS FEBRUARY 28, 2007			<u>\$168,095</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BANCROFT  
WATER FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED FEBRUARY 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Charges for Services	\$ 97,150	\$ 97,150	\$101,931	\$ (4,781)
Interest Income	1,200	1,200	6,169	(4,969)
Hydrant Rent & Misc.	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	
TOTAL REVENUES	\$102,850	\$102,850	\$112,600	\$ (9,750)
OPERATING EXPENSES:				
Salaries	\$ 20,528	\$ 16,580	\$ 13,356	\$ 3,224
Operating Supplies	2,900	4,592	3,106	1,486
Repairs & Maintenance	12,311	12,748	4,254	8,494
Equipment Rental	2,700	2,700	1,389	1,311
Contracted Services	750	1,092	1,092	
Utilities & Telephone	3,500	4,081	2,737	1,344
Audit & Legal	1,800	780	780	
Interest Expense	45,000	47,075	47,948	(873)
Insurance	650	1,450	919	531
Depreciation			30,054	(30,054)
Computer Software	1,000	1,420	1,020	400
Lab Fees	1,400	1,154	1,131	23
Miscellaneous	720	120	373	(253)
Retirement	8,742	8,742	8,677	65
Disability Insurance	240	282	485	(203)
Health Insurance	<u>849</u>	<u>274</u>	<u>274</u>	
TOTAL EXPENSES	\$103,090	\$103,090	\$117,595	\$(14,505)
OPERATING INCOME (LOSS)	\$ <u>(240)</u>	\$ <u>(240)</u>	\$ <u>(4,995)</u>	\$ <u>4,755</u>
OTHER FINANCING USES:				
Transfers In	\$	\$	\$	\$
Transfers Out				
NET INCOME (LOSS)	\$ <u>(240)</u>	\$ <u>(240)</u>	\$ <u>(4,995)</u>	\$ <u>4,755</u>
Retained Earnings March 1, 2006			<u>218,546</u>	
RETAINED EARNINGS FEBRUARY 28, 2007			<u>\$213,551</u>	

The accompanying notes are an integral part of these financial statements.



## DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

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Vicky Clayton  
Carol Demis  
Jeanette Gaitskill  
Kathy Kimmerer  
Erica Marks  
Janis K. Mead  
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David Pullen  
Vicki E. Schuler  
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Members of the Village Council  
Village of Bancroft  
Shiawassee County, Michigan

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Bancroft for the year ended February 28, 2007.

### BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Total expenditures cannot exceed total budgeted revenues plus beginning fund balance. Expenditures should be reviewed periodically and the budget amended before incurring any expense which would exceed the budgeted amounts.

### CASH RECEIPTS

All monies collected by the Village should be receipted. Each receipt should have enough information to enable proper recording into the general ledger.

We recommend all receipts for monies received clearly identify the type of revenue to allow for proper revenue account classification in the general ledger.

The Accounting Procedures Manual for Local Units of Government in Michigan, gives new, detailed information on use of receipts for revenue money. The manual is dated July 2007, a copy of which we can provide.

### GENERAL LEDGER

The Village should be using the Uniform Chart of Accounts. Originally, the Chart of Accounts used was correct, however, new accounts have been added. Some of the new accounts are out of order, (liabilities before assets) and some do not have account numbers associated with them.

We recommend review of the fund chart of accounts, and corrections made to comply with the Uniform Chart of Accounts. A copy of the Uniform Chart of Accounts can be provided.

GENERAL LEDGER (CONTINUED)

Staff may want to refer to Ordinance No. 242-07 regarding bonds issued and repayment. Section 12 lists the specific accounts that need to be set up and used.

Staff should review the new bond reserve requirements, now effective March, 2007. The new bonds will increase the amount of reserves needed.

Old bond reserve requirements should be reviewed for compliance. Amount of reserves needed are included in the "Bond Transcripts".

EXPENSES

We believe some expenditures may not be appropriate under Department of Treasury guidelines. We can supply these guidelines, for your consultation, if you desire.

Payments for non-employee compensation over \$600 should have a 1099 form issued at calendar year end. We can supply these forms, if desired.

We wish to thank the council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village on these matters or any future matters, please do not hesitate to contact us.

Very truly yours,

*Dennis and Delaney, PC*

Certified Public Accountants